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<b>Report title:</b>	<b>Draft Early Years Single Funding Formula: Progress Report</b>	
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## Executive Summary

The report provides the Schools Forum with the updated proposals for Local Authority's consultation with schools and early years providers as part of the review of the Southwark Early Years Single Funding Formula.

## Schools Forum Actions

The Schools Forum is asked to:

- Comment on the updated proposals for consultation (table A);
- Comment on the proposed consultation questions (section 3.0);
- Note the next steps and revised timetable (section 5.0).

## 1.0 Background

- 1.1 The Southwark Early Years Single Funding Formula (EYSFF) provides the annual funding for the entitlement by three and four year olds to 570 hours of free early education or childcare to Southwark's schools, nursery schools, academies and the private, voluntary and independent (PVI) early years providers. The factors in the formula have different weightings and components for each type of setting and are mainly based on historical funding levels. The formula factors have remained the same since the EYSFF was introduced in April 2010 and the current funding rates are set out in Appendix A.
- 1.2 The Local Authority ( LA), in consultation with a working group of the Schools Forum, conducted a review of the current EYSFF with a view to devising a revised formula that reflected current costs of provision with any new formula being transparent and consistent and was affordable. The review was carried out with the underlying assumption that there is no additional funding available i.e. any changes would need to be cost neutral.
- 1.3 The working group met four times during the period May to September 2014 and provided feedback and recommendations on the options being considered by the LA. During the review period the DfE announced a commitment to put in place a national early years funding formula. The likely detail of such a formula will be announced over the coming year and the national funding formula could potentially be implemented in 2016-17.
- 1.4 Finalised options for the LA consultation were presented to the Schools Forum in October 2014. At this meeting, the Schools Forum raised concerns about the impact of the proposals including moving funding away from the school sectors to the PVI sector. The Schools Forum confirmed that they felt that they could not support the consultation in its then form and as a consequence the LA agreed to revisit the options in the consultation.

1.5 The Local Authority has now amended the proposed changes to the EYSFF. In addition the implementation time table has been completely revisited as there is no longer sufficient time to implement and meet the regulation requirements to have these changes in place in advance of the financial year.

1.6 Details of the updated proposals and timeframe for implementation are below.

## **2.0 Updated proposals**

2.1 The LA has revisited each of the proposals in view of the timescales available and is proposing to consult based on an incremental approach outlined in table A. Please see appendix C which sets out the detail of the revised proposal for social deprivation funding.

Table A – Proposals for consultation

Element of formula	Background	Original Proposal	Proposed approach for consultation	Possible implementation dates	Details
Base rates	There is significant difference between the hourly base funding rates for the different types of providers: <ul style="list-style-type: none"> <li>• Primary schools - £4.95;</li> <li>• Nursery Schools - £6.43;</li> <li>• PVI - £4.10.</li> </ul>	To move towards an “aspirational” funding formula in future based on a single base funding rate across all providers so that all pupils receive same base level of funding	No change proposed for 2015-16, awaiting outcome of national review.	Not set, dependent on outcome of national review	N/A
Deprivation – move to consistent approach for all providers using IDACI	Two different deprivation indicators are currently used to target deprivation funding to early years providers: <ul style="list-style-type: none"> <li>• Primary and nursery schools – IDACI, based on 4 different bandings with all children attracting funding;</li> <li>• PVI – IMD with funding allocated to 30% most deprived (nationally).</li> </ul>	Application of a consistent methodology for the allocation of deprivation funding from April 2015.	Move incrementally to a consistent methodology for all providers using the national norm for schools.  Steps needed: <ul style="list-style-type: none"> <li>• Move PVI from IMD to IDACI;</li> <li>• Move PVI to 6 IDACI bandings;</li> <li>• Move primary and nursery schools to 6 IDACI bandings.</li> </ul>	Responsive to consultation feedback, options include: <ul style="list-style-type: none"> <li>• Sept 2015/April 2016</li> <li>• Sept 2015/April 2016</li> <li>• April 2016</li> </ul>	Appendix C
Deprivation – move to a consistent banding system and review funding rates	There is significant difference between the funding levels for the different types of providers, for example the 30% least deprived children attract the following hourly rates: <ul style="list-style-type: none"> <li>• Primary schools - £0.39;</li> <li>• Nursery schools - £0.65;</li> <li>• PVI - £0.00</li> </ul>	Application of consistent rates for all providers across the 6 IDACI rates.	Review funding levels as part of the incremental changes using transitional arrangements; reflecting the base rate funding levels in deprivation.	April 2016	Appendix C
Funding for academy providers	Academies are funded as PVIs, however the inspection regime and operating model is the same as maintained schools.	Introduce a funding factor that is specific to academies and is consistent with maintained primary schools.	Go ahead with proposals to consult on the implementation of a new funding formula, consistent with schools with effect from 1 April 2015.	1 April 2015	N/A

### 3.0 Proposed consultation

3.1 The proposed consultation questions are:

Question	Area	Proposed consultation question
1	Deprivation funding	Do you support the idea that a consistent approach is applied to the allocation of deprivation funding to all providers, based on the six IDACI bandings applicable for schools?
2	Deprivation funding	Do you agree that the move to a consistent approach to deprivation funding should be implemented based on an incremental approach?
3	Deprivation funding	Do you support the move of PVI's to using the IDACI deprivation indicator from September 2014 or April 2015?
4	Deprivation funding	Do you support the longer term position that similarly children with similar levels of deprivation should attract the same additional funding, whatever provider they attend?
5	Academy funding	Do you support the introduction of a new differential funding category for academy and free school providers?
6	Academy funding	If a new category was introduced for academies and free schools, do you support it being based on the maintained primary school category?
7	General	Do you have any general comments in relation to the funding arrangements for early years provision in Southwark?
8	Two year old funding	Do you have any general comments on the funding arrangements for two year olds?

### 4.0 Potential funding implications

- 4.1 The LA will consider the views from responses to the consultation before making any changes to the current funding formula.
- 4.2 The review was carried out on underlying assumption that there is no additional funding available i.e. any changes would need to be cost neutral.
- 4.3 As with schools, the current funding levels in Southwark for early years funding are at the high end of early years funding nationally so any move to a national funding formula remains a potential significant risk to Southwark. It should also be noted that the LA are expecting significant funding pressures on future Dedicated Schools Grant funding, as previously reported to the Schools Forum and so the affordability of allocating any additional funding towards early years will be reviewed and considered as part of reviewing the consultation responses and the overall 2015-16 DSG budget setting process.

4.4 The following table sets out a possible scenario of what the estimated potential impact could be:

Option	Consultation	Potential impact should this happen
Base rates - academies	Consultation seeks views on the introduction of a differential base rate for academies	<ul style="list-style-type: none"> <li>Additional estimated annual cost of £111k.</li> </ul>
Deprivation funding	Consultation seeks views on the application of a consistent approach to deprivation funding	<ul style="list-style-type: none"> <li>Any changes would need to be cost neutral</li> <li>A 5% increase in rates would cost in the region of £10k</li> </ul>

## 5.0 Next steps

5.1 The LA will consider the views from responses to the consultation before proposing any changes to the current funding formula. The revised timetable is set out below:

Meeting	Revised Timetable
Initial Working Group Meeting	15-May-14
Working Group Meeting	09-Jun-14
Working Group Meeting	02-Jul-14
Progress Report to Schools Forum	10-Jul-14
Working Group Meeting	2/3 Sept- 2014
Schools Forum Meeting – initial proposals for consultation	16-Oct-14
Schools Forum Meeting – updated proposals for consultation	11-Dec-14
Spring term commences	5-Jan-15
Consultation with all providers	Jan-15
Final proposals presented for Schools Forum agreement	19-Mar-15
Notification of funding arrangements to schools and early years providers	31-Mar-15

**Appendix A**  
**2014-15 Southwark early years funding formula**

<b>2013-14 Southwark EYSFF</b>	<b>Unit</b>	<b>Nursery School</b>	<b>Nursery Class in Primary School</b>	<b>PVI</b>
<b>Base Rate</b>	Per hour	£6.43	£4.95	£4.10
<b>Deprivation (Average per eligible pupil)</b>	Per hour	£1.17	£0.64	£0.40
<b>Lump Sum</b>	Lump sum	£200,000	(part of the overall school funding)	£0
<b>EAL</b>	Per eligible child	£299.72	£0	£0
<b>NNDR</b>	Lump Sum	Actual	(part of the overall school funding)	£0

## Appendix B Southwark deprivation funding methodologies

Current deprivation methodologies in Southwark

<b><u>Current Arrangements</u></b>	<b><u>PVIs</u></b>	<b><u>Non-PVI Early Years</u></b>	<b><u>Schools (Year R to Year 11)</u></b>
<u>IDACI</u>	No	Yes	Yes
<u>Free School Meals</u>	No	No	Yes
<u>Indices of Multiple Deprivation</u>	Yes	No	No
<u>Eligibility</u>	30% most deprived (nationally)	4 bands of deprivation, all children attract funding. The most deprived attract the most funding.	6 bands of deprivation, most deprived attract the highest rate. The least deprived attract no deprivation funding.
<u>Rate (Average per eligible child)</u>	£0.40 per hour for 30% most deprived (nationally)	£1.33 per child per hour nursery  £0.67 per child per hour EY in primary class	£0.38 per child per hour

Comparison on current deprivation funding by deprivation ranking by provider

<b>Deprivation ranking – IDACI score</b>	<b>Deprivation ranking - IMD %</b>	<b>PVI 13-14 Rate (£ per hour)</b>	<b>Nursery 13-14 rate (£ per hour)</b>	<b>EY in Primary Class 13-14 rate (£ per hour)</b>
0 – 0.3	Up to 30%	0.00	0.65	0.39
0.3 – 0.4	30% to 40%	0.40	1.29	0.78
0.4 – 0.5	40% to 50%	0.40	1.94	1.17
0.5 – 1	50% to 100%	0.40	2.59	1.56

## Appendix C Proposed changes to deprivation funding

### Background

The LA are proposing to move incrementally to funding based on an IDACI system using 6 bandings because:

- There are currently three different methodologies used in Southwark to allocate deprivation funding to schools and early years providers (appendix B);
- Principles of funding formula is to be consistent and transparent;
- Approach for early years is consistent with the national schools approach.

The first step proposed is to move PVI settings onto the IDACI banded system. The LA have modelled moving the existing PVI deprivation funding onto 6 bandings, based on keeping the pot the same and redistributing funding across the 6 bandings used for schools. The proposed new banding and rates are outlined below.

ICACI Score	IDACI Band	Existing IMD rankings applied to 6 IDACI bandings	Proposed IDACI rates
0 – 0.2	0	0.00	0.00
0.2 – 0.25	1	0.00	0.19
0.25 – 0.3	2	0.00	0.23
0.3 – 0.4	3	0.40	0.29
0.4 – 0.5	4	0.40	0.38
0.5 – 0.6	5	0.40	0.46
0.6 – 1	6	0.40	0.67

The total deprivation funding allocated to PVI's in 2013-13 was £209k.

The LA has modelled the potential impact of the proposed change on individual providers using January 2014 data. A summary of the potential changes is outlined below.

Summary Data	Amount £	%
Maximum loss	-£ 1,950.22	-0.67%
Maximum Gain	£ 1,990.68	1.33%
Average Loss	-£ 290.37	-0.01%
Average Gain	£ 320.62	0.02%
No. of losers	53	
No. of winners	48	
No. of no change	3	